



## CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

October 16, 1998

### **H.R. 3874**

### **William F. Goodling Child Nutrition Reauthorization Act of 1998**

*As cleared by the Congress on October 9, 1998*

#### **SUMMARY**

H.R. 3874, the William F. Goodling Child Nutrition Reauthorization Act of 1998, would amend and reauthorize child nutrition programs and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). CBO estimates that the act would save \$3 million over the 1999-2003 period. Over the 1999-2008 period, the act would cost \$7 million.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3874 is shown in Table 1. The costs of this legislation fall within budget function 600 (income security). For purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

Table 1. Summary of Effects of H.R. 3874 on Direct Spending and Receipts

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	11	-8	-2	-2	-1	0	-3	-1	2	11
Changes in receipts	0	0	0	0	0	0	0	0	0	0

#### **BASIS OF ESTIMATE**

CBO's estimates of the bill's effects on direct spending, by provision, are detailed in Table 2 and explained below.

Table 2. Estimated Impact of H.R. 3874 on Direct Spending

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Round Down Reimbursement Rates										
Budget Authority	-6	-38	-42	-44	-45	-46	-47	-48	-48	-49
Outlays	-2	-35	-41	-44	-45	-46	-47	-48	-48	-49
Grants for Reimbursement Options										
Budget Authority	0	2	2	0	0	0	0	0	0	0
Outlays	0	2	2	a	0	0	0	0	0	0
Adjust Summer Food Program Reimbursement Rates for Alaska and Hawaii										
Budget Authority	a	a	a	a	a	a	a	a	a	a
Outlays	a	a	a	a	a	a	a	a	a	a
Integrate Food and Nutrition Projects with Elementary School Curricula										
Budget Authority	a	a	a	a	a	0	0	0	0	0
Outlays	a	a	a	a	a	a	0	0	0	0
Expand Private, Nonprofit Participation in the Summer Food Program										
Budget Authority	a	a	1	1	1	1	1	1	1	1
Outlays	a	a	1	1	1	1	1	1	1	1
Expand Offer versus Serve										
Budget Authority	a	a	a	a	a	a	a	a	a	a
Outlays	a	a	a	a	a	a	a	a	a	a
Make Categorical Eligibility for Even Start Participants Permanent										
Budget Authority	1	1	1	1	1	1	1	1	1	1
Outlays	1	1	1	1	1	1	1	1	1	1
Reduce 2 Percent Audit Funds										
Budget Authority	-8	-7	-8	-8	-9	-9	-19	-21	-22	-11
Outlays	-1	-2	-2	-2	-2	-2	-7	-8	-8	-3
Make Kentucky-Iowa Demonstration Permanent										
Budget Authority	4	4	4	4	4	4	4	4	5	5
Outlays	3	4	4	4	4	4	4	4	5	5
Technical and Training Assistance										
Budget Authority	1	1	1	1	1	0	0	0	0	0
Outlays	1	1	1	1	1	a	0	0	0	0
Provide After-School Snacks for At-Risk School Children										
Budget Authority	2	5	5	6	6	7	7	8	9	9
Outlays	2	4	5	6	6	7	7	8	9	9

Continued

Table 2. Continued

		By Fiscal Year, in Millions of Dollars									
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Transfer Homeless Assistance Programs to CACFP											
Budget Authority		a	a	a	a	a	a	a	a	1	1
Outlays		a	a	a	a	a	a	a	a	1	1
Provide After-School Snacks through the School Lunch Program											
Budget Authority		7	16	27	29	31	34	36	39	42	45
Outlays		6	14	25	28	31	33	36	39	42	45
Food Service Management Institute											
Budget Authority		1	1	1	1	1	1	1	1	1	1
Outlays		1	1	1	1	1	1	1	1	1	1
Information Clearinghouse											
Budget Authority		a	a	a	a	a	0	0	0	0	0
Outlays		a	a	a	a	a	a	0	0	0	0
Spending from WIC Penalties											
Budget Authority		a	a	a	a	a	a	a	a	a	a
Outlays		a	a	a	a	a	a	a	a	a	a
Reimbursement for Removal of Hazardous Commodities											
Budget Authority		a	a	0	0	0	0	0	0	0	0
Outlays		a	a	0	0	0	0	0	0	0	0
Interactions											
Budget Authority		a	a	a	a	a	a	a	a	a	a
Outlays		a	a	a	a	a	a	a	a	a	a
Total											
Budget Authority		4	-14	-7	-9	-7	-7	-15	-13	-10	3
Outlays		11	-8	-2	-2	-1	a	-3	-1	2	11

Note: Details may not sum to totals due to rounding.

a. Less than \$500,000.

## Round Down Reimbursement Rates

Section 103(b) would lower the reimbursement rate for meals served free or for a reduced price in schools and day care centers. Under current law, the reimbursement rates for those

meals are adjusted for inflation each year and then rounded to the nearest quarter cent. The bill would require those rates (except for lunches) to be rounded down to the nearest whole cent. The reimbursement rate for free and reduced lunches has two components: the reimbursement rate for a full-price meal plus a special assistance rate. Each of those rates would be rounded down to the nearest cent and then summed. On average, schools would receive one cent less reimbursement for each lunch served and one-half cent less reimbursement for every other meal served. The provision would take effect July 1, 1999, and would reduce federal outlays by \$2 million in 1999 and \$49 million in 2008.

### **Grants for Reimbursement Options**

Two reimbursement options for states under the National School Lunch Act, known as provisions 2 and 3, allow schools to simplify their administrative procedures if they offer all meals free and agree to pay the cost of providing free meals to those students who would otherwise pay. Section 103(c) would provide grants to 10 states each year to identify schools that are likely to benefit from adopting one of these options. States that receive grants would assist identified schools with evaluating their options and implementing one of the provisions, if a school chooses to do so. In each of fiscal years 2000 and 2001, \$2.25 million would be available for these grants.

### **Adjust Summer Food Program Reimbursement Rates for Alaska and Hawaii**

Section 104(a) would allow the Secretary of Agriculture to set higher reimbursement rates for the Summer Food Service program in Alaska, Hawaii, and territories where the cost of providing meals is greater than in the rest of the states. Under current law, the Secretary may set higher rates in all the other child nutrition programs. The authority to adjust those rates is currently used only in Alaska and Hawaii. Based on the number of meals served in Alaska and Hawaii and the size of the adjustment the Secretary makes in the other child nutrition programs, the provision would cost less than \$500,000 a year.

### **Integrate Food and Nutrition Projects with Elementary School Curricula**

Section 104(c) would continue the authority to provide grants in support of projects that integrate food and nutrition projects into the elementary school curriculum. Under current law, grants of \$100,000 a year have been made since fiscal year 1995. The estimate assumes that the projects would continue to be funded at this level and that total outlays would be less than \$500,000 over the 1999-2003 period.

## **Expand Private, Nonprofit Participation in the Summer Food Program**

Section 105(a) would allow private, nonprofit sponsors to operate more sites in the Summer Food Service program. Current law limits a private, nonprofit sponsor to 5 urban sites, 20 rural sites, and 20 sites in total. The proposal would raise the limit to 25 sites of any type. In 1997 there were about 600 private, nonprofit sponsors operating 2,200 sites. Only 13 percent of sponsors operate more than 5 sites, and only 6 percent of sponsors operate more than 10 sites, according to a Food and Nutrition Service (FNS) internal study. FNS officials report that about a dozen rural sponsors and a couple of urban sponsors have expressed interest in exceeding the limits under current law. The estimate assumes that 10 rural sponsors add 5 additional sites and 4 urban sponsors add 5 to 10 sites for a total of 80 new sites serving 5,000 new participants by 2001. The provision would increase outlays by less than \$500,000 in 1999 and 2000 and by about \$1 million each year thereafter.

## **Expand Offer versus Serve**

Section 105(c) would allow all school-sponsored Summer Food Service program sites to receive reimbursement for a meal even if a child does not accept every component of the meal. Current law allows such reimbursement only if the program is sited at a school. This provision would extend the authority to programs that schools operate at other sites, such as parks or community centers. Based on discussions with federal officials, we assume that the provision would make the program marginally more attractive to sponsor. We assume a 1 percent increase in participation in school-sponsored programs that are not school-based. This change would result in an increase in spending of less than \$500,000 a year.

## **Make Categorical Eligibility for Even Start Participants Permanent**

Section 107(b) would permanently reinstate categorical eligibility for free meals in the Child and Adult Care Food Program (CACFP) for Even Start participants. Under this provision, children would not have to meet income guidelines because the Even Start Program does not have any specific income guidelines. Program data show that while most families enrolled in Even Start have very low incomes, 8 percent of families have an annual income of between \$15,000 and \$20,000, and an additional 9 percent have income over \$20,000. Most of the children in those families would not meet the income eligibility limit for free meals. Program data indicate that between 10 and 15 percent of the approximately 50,000 children enrolled in Even Start would be eligible for free meals under the provision despite having incomes that exceed the program limits. The provision would increase federal outlays by about \$1 million annually.

## **Reduce 2 Percent Audit Funds**

Section 107(e) would reduce the funds available to states to conduct audits of CACFP. Under current law, each state receives an annual payment equaling 2 percent of the CACFP funds it spent in the second preceding fiscal year. The bill would reduce that payment to 1.5 percent, except in fiscal years 2005 through 2007 when the payment would be 1 percent of CACFP funds. The funding is used by the states to conduct audits of participating CACFP institutions. Generally, states do not spend all of the funding available to them: in 1995 states spent \$15 million out of \$23 million available; in 1996 states spent \$15 million out of \$26 million available. The proposal would cut the funds available to states by \$8 million in 1999 rising to \$22 million in 2007. Because a portion of that funding would not have been used anyway, spending would decrease by only an estimated \$1 million in 1999 and \$8 million in 2007.

## **Make Kentucky-Iowa Demonstration Permanent**

Section 107(f) would permanently authorize a demonstration project that allows expanded participation by for-profit providers in CACFP in Kentucky and Iowa. Current law generally allows a for-profit provider to participate in CACFP only if it receives Title XX funds for at least 25 percent of the children at the center. In Kentucky and Iowa, a for-profit provider can also participate if at least 25 percent of the children enrolled meet the income eligibility criteria for free and reduced meals (185 percent of poverty). The pilot project was funded at \$3.7 million in 1998. We estimate that funding would increase each year by 2.7 percent, the projected increase in the CACFP reimbursement rate. The provision would increase federal costs by \$4 million to \$5 million a year.

## **Technical and Training Assistance**

Section 107(g) would provide assistance to states for program management and oversight. The bill would fund assistance at \$1 million each year through 2003.

## **Provide After-School Snacks for At-Risk School Children**

Section 107(h) would revise the reimbursement rate structure for after-school snacks in the CACFP and expand participation in low-income areas. Under current law, after-school programs for children up to age 12 are reimbursed for snacks at free, reduced, and paid rates, according to the number of children eligible for each. Under this provision, reimbursement for all snacks served by after-school programs in low-income areas would be made at the rate for free snacks, and all snacks would be served free. Reimbursement would be made for

snacks served to youth up to age 18. Low-income areas are areas served by a school in which at least 50 percent of enrolled students are eligible for free or reduced price meals. Only programs that have an educational purpose and are organized primarily to provide care could participate.

CBO estimates that 155,000 children and youth would participate in the program in 2000, and that the number of participants would rise to 235,000 by 2008. About 500,000 children aged 6-12 currently participate in CACFP. Data from the Survey of Income and Program Participation indicate that for every 20 children between the ages of 6 and 12 who are in care, one child between the ages of 13 and 18 is in care. If programs serving youth aged 13-18 participate at the same rate as those serving younger children, then 525,000 children and youth could participate daily. CBO estimates that about 385,000 of these children would be participating in educational, after-school programs, based on the number of children aged 6-12 in CACFP that are cared for in after-school programs. Because the program could operate only in low-income areas, CBO estimates that only 40 percent of those children (155,000) would be eligible to participate. After the initial year in which the program is phased in, this number is assumed to grow by 5.5 percent a year, the average projected rate of growth for after-school programs in CACFP.

After-school programs would be reimbursed for 31 million snacks in 2000. Under current law, 8.5 million of these snacks would have been reimbursed at the reduced or paid rates for children under 13 years of age, and 20 million would have been reimbursed at the free rate. The estimate assumes that programs would operate 200 days a year on average. The school lunch program operates 180 days, but this program can also operate on weekends and holidays. Each snack would be reimbursed at about 50 cents for an annual cost of \$4 million in 2000 rising to \$9 million in 2008.

### **Transfer Homeless Assistance Programs to CACFP**

Section 107(j) would consolidate two programs that provide meals to homeless children into CACFP. The Homeless Children Nutrition program serves children under age 7 in homeless shelters up to three meals and one snack per day. About 1 million meals were served through that program in 1997. The Summer Food Homeless program serves children under age 19 in homeless shelters up to two meals a day during summer months. About 100,000 meals were estimated to be served through that program in 1997. The consolidated program would serve homeless children under age 13 up to three meals a day through CACFP. On balance, this program would provide reimbursement for more meals, mostly due to additional meals served to children between the ages of 6 and 12 year-round instead of just in the summer.

The provision, effective July 1, 1999, would cost less than \$500,000 a year through 2006 and about \$1 million in 2007 and 2008.

### **Provide After-School Snacks through the School Lunch Program**

Section 108 would allow schools that operate a school lunch program to receive reimbursement for snacks served to children in after-school care programs. Under current law, a school can receive reimbursement for after-school snacks only if it establishes a child care center and participates in CACFP. Many school-based, after-school programs do not participate in CACFP, partly because they are not willing or able to meet state requirements for child care centers. The provision would make it significantly easier for schools to receive reimbursement for snacks served to children after school, because schools would not have to apply as child care centers through a separate federal program.

After-school programs that have an educational or enrichment purpose and are organized primarily for the purpose of providing care would be eligible. In programs in low-income areas, all snacks would be reimbursed at the rate for free snacks, and all snacks would be served free. In all other areas, the price and reimbursement rates for snacks would vary with family income. Low-income areas are areas where at least 50 percent of the children enrolled in school are eligible to receive free or reduced price school meals.

CBO estimates that about 16,000 after-school programs could potentially participate in the new snack program in 1999. In 1991, there were about 13,500 after-school programs in public and private schools according to a Department of Education (ED) study. CBO estimates that 10,600 of these sites had both a school lunch program and an after-school program. Participation in CACFP by after-school programs has grown by 9 percent a year in recent years, while school enrollment grew about 2 percent a year in the early 1990s. CBO projects that the number of after-school programs would grow by the average of those two rates, or 5.5 percent a year. The estimate assumes that about 30 percent of eligible programs would be in low-income areas. That estimate is based on the percentage of schools participating in the school lunch program that would meet the low-income criteria.

The estimate assumes that 95 percent of eligible programs in low-income areas, about 4,600 programs, and 50 percent of programs in other areas, about 5,600 programs, would participate. This rate of participation is slightly less, on average, than the 70 percent rate at which schools participate in the school breakfast program. Wealthier schools are generally less likely to participate in the child nutrition programs, and ED data indicate that the schools with after-school programs are somewhat wealthier than average. About 2,800 school-based



after-school programs already receive reimbursement for snacks through the CACFP, so 7,400 additional after-school programs would participate.

Under the assumption that the new programs would be the average size of programs already participating in CACFP (45 children) and operate the same number of days a year as lunch and breakfast programs (180 days), the program would subsidize 60 million snacks in 1999. CBO also assumes a 5 percent increase in the number of snacks served as a result of expanding the program to children aged 13 to 18 years. In total, about 63 million snacks could be served in 1999. CBO projects the number of new snacks would grow at the same rate projected for all snacks in CACFP. About 40 percent of the new snacks would be served in low-income areas.

Schools in low-income areas would be reimbursed at the free rate of about 50 cents a snack in 1999. In other areas, CBO estimates that 35 percent of the snacks would be reimbursed at the free rate, 5 percent at the reduced rate (26 cents in 1999), and the remainder at the paid rate (4 cents in 1999). Those rates assume that the income of participants would be similar to that of school lunch participants in non-low-income areas. CBO assumes that participation would increase gradually so the first-year outlays would be only \$6 million. By 2001, the first year we expect the program would be fully phased in, the cost would be \$25 million; the cost would rise to \$45 million by 2008.

### **Food Service Management Institute**

Section 110(c) would increase funding for the Food Service Management Institute. The institute was established for research on food service in federally assisted food programs as well as for training and technical assistance for food service personnel. The institute has been funded at \$2 million a year since fiscal year 1996. This bill would increase funding to \$3 million a year beginning in fiscal year 1999. This new level of funding would increase outlays by \$5 million over the 1999-2003 period.

### **Information Clearinghouse**

An information clearinghouse, which provides information on federal nutrition programs and self-help activities for low-income individuals, was funded at \$100,000 in fiscal year 1998. Section 112 would fund the program at \$166,000 a year through fiscal year 2003.

## **Spending from WIC Penalties**

Section 203 would require state agencies to permanently disqualify from participating in the WIC program vendors who are convicted of trafficking in food instruments or selling firearms in exchange for food instruments. If disqualifying a vendor would pose a hardship to program participants, the vendor could remain in the program but would be assessed a civil money penalty by the state. The bill would also allow courts to order persons convicted of violating any WIC provision to forfeit all property used in the transaction that resulted in the violation. The proceeds from a sale of the forfeited property would be used to reimburse federal and state agencies for costs incurred in the forfeiture proceedings. This section would increase both direct spending and receipts, but the amounts are likely to be insignificant.

## **Reimbursement for Removal of Hazardous Commodities**

Section 302 would give the Secretary of Agriculture the authority to use funds from section 32 (Funds for Strengthening Markets, Income, and Supply) to reimburse states for costs associated with the removal of commodities that pose a health or safety hazard. Section 32 is a permanent account funded through customs duties, and most of the funds are appropriated to the child nutrition programs. The remaining funds can be used for a variety of purposes, including commodity distribution and emergency surplus removal. This section of the bill would allow the Secretary to use section 32 funds to reimburse states for costs, such as transportation and disposal, associated with the removal of the unsafe commodities, as well as to purchase replacement commodities. Currently, the Secretary's ability to replace commodities can be limited if liability is not immediately established. This section would allow the Secretary to immediately replace the commodities, and any funds subsequently collected from the suppliers of the hazardous commodities would be deposited into the section 32 account. This authority would terminate in fiscal year 2001. Assuming that one or two incidents with unsafe food occurs each year, we estimate that the costs of this new authority would be insignificant. If the donation of a hazardous commodity occurred on a widespread scale, costs in a specific year could be much higher.

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